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California's jobless rate up sharply

By Sam Zuckerman

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California's employment market took a sharp turn for the worse in December, the strongest sign to date that the state's economy might be falling into recession.

The Bay Area fared much better than the state as a whole, but local jobless rates also edged up slightly during the month.

The state's unemployment rate catapulted to a seasonally adjusted 6.1 percent, half a percentage point higher than the November level, the California Employment Development Department reported Friday morning.

"That's a big jump," said former department Director Michael Bernick.

In December 2006, the state jobless rate was 4.8 percent.

The state unemployment rate last month was well above the 5 percent posted for the United States as a whole and tied for fifth highest in the nation, trailing only Michigan, Mississippi, South Carolina and Alaska.

In response to the report, Gov. Arnold Schwarzenegger said he would work with the Legislature to release \$29 billion in funds from 2006 infrastructure bonds to speed up construction projects. He also ordered the Employment Development Department to extend hours at state job assistance centers.

The Bay Area dodged most of the pain. The San Francisco metropolitan area unemployment rate was 4.2 percent in December, the Oakland area rate 5 percent, and the San Jose area rate 5.1 percent - all increases of 0.1 percentage point from the previous month.

The unemployment rate calculations were based on a survey of households, which showed the number of jobless workers in California rising 88,000 to 1,126,000 in December.

A separate survey of employers showed total California jobs outside the farm sector growing by 15,500 during the month. The apparent contradiction of growing payrolls and growing unemployment might have been due in part to the entry of 55,000 workers into the labor force, which consists of people who are employed or looking for work.

"The large jump in the number of unemployed residents did not come from job losses, but rather from more people entering the labor force than could find jobs," Stephen Levy, director of the Center for the Continuing Study of the California Economy, concluded in a written analysis.

Statewide, construction shed 6,200 jobs and financial services 4,200 jobs during the month, evidence that the housing slump is continuing to take a toll on employment. Sectors such as education, health and professional and business services added jobs.

For the full year 2007, payrolls in California expanded just 0.5 percent, the slowest growth since 2003, according to the Public Policy Institute of California.

"The housing market deceleration and the slowing of the overall economy is occurring faster than we thought," Levy said. "We're right on the edge of a recession."

In 2007, California construction and finance payrolls dropped 4 percent and 2.5 percent, respectively. Most of those losses were concentrated in Southern California, where the housing downturn was most severe.

In the Bay Area, the job market has held fairly steady despite some losses in housing-related sectors. The San Francisco metropolitan area, which includes Marin and San Mateo counties, passed the 1 million-job mark in December for the first time since the dot-com crash in 2001.

The area's eastern fringe, where housing construction was hottest and home prices have fallen hardest, has suffered most. Solano County, for example, had virtually no change in payrolls and saw its jobless rate jump 0.4 percentage point to 5.8 percent in December as housing sector woes spread. But construction employment isn't collapsing, because of a range of commercial and public works projects.

"Luckily we have enough industrial work to keep the bottom from completely falling out," said Lou Franchimon, business manager of Napa-Solano Building Trades Council, referring to refinery renovations, hospital construction and other projects in his area.

In the inner Bay Area, the job market is neither too hot nor too cold. But it hasn't been growing rapidly enough to keep unemployment rates from rising.

"The Bay Area didn't lose any jobs in 2007, but the growth of the labor force outpaced job growth," Levy said.

Mark Unger, president of Diversified Personnel, an Oakland staffing company, said he's seen only a slight slowdown so far.

The area job market "certainly is not growing at the brisk pace it was in the middle of last year, but business on the direct hire side is still good," he said. In the East Bay, a significant part of the demand for workers is coming from startup businesses funded by venture capital, "everything from biotech to software to green industry," he said.

For their part, many of those searching for work are fretting about reports that the economy is skidding.

Joe Ehrlich, 51, lost his customer service job at Mountain Hardwear, a Richmond maker of camping and backpacking gear, on Tuesday. He said he still sees plenty of job ads on Craigslist but worries about conditions in his industry.

"Retailers are in big trouble. I've been watching what's been happening with orders from big stores," said Ehrlich, who lives in Richmond. "All signs point to an economic downturn."